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MADSEN
RED LAKE GOLD
MINES,

L I M I T E D

ANNUAL REPORT
1971

directors

PAUL H. McCLOSKEY, M.C., B.Sc. <i>Mining Executive</i>	Toronto
HOWARD S. ROBINSON, B.S., E.M. <i>Mine Consultant</i>	Chicago
HUGH H. MACKAY <i>Vice-President of PITFIELD, MACKAY, ROSS & COMPANY LIMITED, Stockbrokers</i>	Rothesay, N.B.
FOSTER W. HEWITT <i>Radio Executive, President of RADIO STATION CKFH</i>	Toronto
DONALD W. FALCONER, Q.C. <i>Solicitor and Partner in HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON.</i>	Toronto

officers

PAUL H. McCLOSKEY, M.C., B.Sc., <i>President</i>	Toronto
HOWARD S. ROBINSON, B.S., E.M., <i>Vice-President</i>	Chicago
M. MASTERSON, <i>Secretary-Treasurer</i>	Toronto
F. A. INNES, B.Sc., P.Eng. (Ont.), <i>Mine Manager</i>	Madsen

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 31st, 1972, 11:00 o'clock in the forenoon
(Toronto Time), Hunting Room —
King Edward Sheraton Hotel,
37 King Street East, Toronto, Canada.

REPORT OF THE DIRECTORS

To The Shareholders

Your Directors submit the Thirty-Sixth Annual Report for the year ended December 31st, 1971, including a review of operations by the Mine Manager, Mr. F. A. Innes, and the Auditors' Financial Statement.

OPERATING RESULTS

Bullion revenue was \$1,583,484.23 from the production of 44,497 ounces of gold (146,162 tons) compared with \$1,494,250.97 from the production of 40,569 ounces (184,530 tons) in the year 1970. Average grade of ore was \$10.83 in contrast to \$8.10 last year.

The price of gold averaged \$35.33 per ounce against \$36.49 in the previous year. Reflecting the floating dollar policy of the Federal Government, the Company incurred a loss of revenue amounting to \$51,616.08 for the year under review. Receipts from Cost Aid totalled \$444,000.00 or \$9.98 per ounce in contrast to \$416,600.00 or \$10.27 in 1970. The Emergency Gold Mining Assistance Aid is available until mid 1973.

Taking into consideration interest and other income, operating profit was \$72,284.65 in contrast to an operating loss of \$314,493.44 in 1970. Non-operating revenue was \$62,202.58 against \$58,371.14 last year.

After making provision for depreciation, net loss was \$5,121.87 or \$.001 per share against \$411,122.79 or \$.117 per share in the previous year.

Operating performance and results showed an improvement over the previous year. This was attributable to the impact of the cost cutting efforts and the higher grade of ore extracted from the No. 8 zone.

Production for the first six months was better than during the last half of the year. Mining method adjustments in the No. 8 zone appeared to have stabilized the mining operation in that zone by year-end.

Mining operations of the No. 8 zone between the 24th and 23rd levels were being carried out normally. The access crosscut on the 25th level reached the zone near the end of the year. Development of the zone on that level was commenced at year-end. Full production from this level was not expected until mid 1972. There was no improvement in ground conditions but the miners became more adept at controlling the ground.

Despite a high rate of unemployment in the country, there continued to be a shortage of experienced miners. This was a very serious problem during the whole year.

Increased development work started during the last quarter contributed to higher costs which will carry over into 1972 but it is anticipated that the net effect of this will be to improve future production.

FINANCIAL RESULTS

Working capital at December 31st amounted to \$2,155,048.96, an increase of \$57,503.00

during the year. The details of this change are shown in the Statement of Source and Application of Funds included with the Financial Statement.

Depreciation charges on buildings and equipment were taken at the rate of 20 per cent which is unchanged from last year.

Expenditures for fixed assets were \$5,526.43 in contrast to \$49,350.15 in 1970.

The ten-year Financial Summary is appended to this report.

ORE RESERVE

After milling 146,162 tons, grade 0.319 ounces per ton, the Ore Reserve totalled 249,205 tons, grade 0.268 ounces per ton. This compared with 245,050 tons, grade 0.272 ounces per ton at December 31st, 1970.

OTHER INTERESTS

BAFFINLAND IRON MINES LIMITED — Your Company has a 19.93% interest — 672,011 shares. Previous drilling indicated 123,500,000 tons of 68.13% iron. Updating the feasibility study is a continuing operation. Results to date have indicated that considerably larger sums of money will be required to bring this property into production than formerly anticipated. Tests on the ore have confirmed its very high quality.

POTASH — SASKATCHEWAN — Due to the current demand-supply problem in the industry, two requests were made to the Government of Saskatchewan for a moratorium on expenditures. Both were rejected by the Government. Consequently, the Company's permit was allowed to lapse but the Freehold acquisitions, totalling 4,390 acres of land, were retained by the Company.

NASS RIVER MINES LIMITED — This company's charter was surrendered during the year.

AVA GOLD MINING COMPANY LIMITED — An airborne electromagnetic and magnetic survey carried out over the property of Madsen Red Lake Gold Mines, Limited in the Red Lake area, during May 1971, revealed two adjacent anomalies on the property of the Ava Gold Mining Company, which is controlled by your Company. Preliminary ground electromagnetic surveying indicated a strong anomaly on the shore of a small lake. Further ground electromagnetic and magnetic survey work from the ice is planned during the early part of 1972.

OUTSIDE EXPLORATION

Outside exploration expenditures totalled \$23,884.95 in contrast to \$91,148.03 in 1970.

SCHILLER SYNDICATE (AUSTRALIA) — The Company has withdrawn as a participant and has no equity in this prospecting vehicle.

ONTARIO — COPPER

Detail surveying using horizontal and vertical loop equipment was carried out on the Lake-O Group at Sturgeon Lake over the anomalous areas outlined by the work last year but no strong anomalies were indicated. Five packsack drill holes were put down but nothing of economic importance intersected.

On the Pine Group, Fairlie Township, Red Lake area, which is under option to Silvermaque Mining Limited, a diamond drill test from the ice of the major anomaly indicated by the electromagnetic

survey in 1970, failed to reach bedrock. A second drill hole put down from a nearby island did not reveal anything of economic interest.

GENERAL

At his own request, Mr. F. A. Innes relinquished the position of Mine Manager and was replaced by Mr. W. A. Moore on February 15th, 1972. The Directors wish to express appreciation for the service of Mr. Innes during a very difficult period.

The Directors take this opportunity to express appreciation to all the employees for their loyal and efficient services rendered to the Company during the year.

1972 — FIRST QUARTERLY RESULTS

Results for the first quarterly period ended March 31st, 1972, reflected a net loss of \$173,149.72. The factors contributing to this disappointing result were (a) lack of fill when our underground fill storage stope became inoperative, (b) shortage of skilled miners and (c) increased costs as a result of an expanded underground development program. Steps have been taken to remedy the problems outlined in (a) and (b).

GOLD

The London Free Market price for gold improved from \$37.37 per ounce at the beginning of the year to \$43.62 per ounce at the year-end. This represents an increase of 17%. The first three months of 1972 saw the price rise to over \$48.00 or an increase of 11%.

Convertibility of the U.S. dollar and gold was officially stopped in August by the action of President Nixon. This amounted to a default by the U.S. Government with respect to their Bretton Woods pledge to make dollars and gold freely convertible. The result of this action has been that the free price of gold has steadily improved. The myth of a U.S. paper dollar standard has finally been proven illusory — "The dollar is as good as gold"? The weakness of and the inconvertibility of the U.S. dollar must be successfully adjusted before a return of monetary peace is possible. To date no substitute has been found to replace gold as the only real money standard. A realistic price for gold must be achieved before convertibility and confidence in the U.S. dollar can be realized.

Respectfully submitted on behalf of the Board,

P. H. McCLOSKEY,
President.

Toronto, Ontario,
April 21st, 1972.

REPORT OF THE MINE MANAGER

The President and Directors,
Madsen Red Lake Gold Mines, Limited,
1110 - 55 Yonge Street,
Toronto 215, Ontario.

Dear Sirs:

The Thirty-Sixth Annual Report, covering the operations for the year ended December 31st, 1971, is submitted for your consideration.

PRODUCTION

The following figures show the production for 1971 and comparable figures for 1970.

	1971	1970
Ounces of Gold	44,496.620	40,569.063
Ounces of Silver	7,383.35	7,514.41
Gross Value of Bullion	\$1,583,484.23	\$1,494,250.97
Average Price Gold/oz.	\$ 35.33	\$ 36.49
Average Price Silver/oz.	\$ 1.57	\$ 1.86

Under the provisions of the Emergency Gold Mining Assistance Act, it is estimated that the Company is entitled to receive \$444,000.00 or \$9.98 per ounce compared to \$416,600.00 or \$10.27 per ounce in 1970.

OPERATING COSTS

	1971	1970
Tons Milled	146,162	184,530
Ounces Produced	44,496.620	40,569.063

	1971			1970		
	Total Cost	Per Ton Milled	Per Ounce	Total Cost	Per Ton Milled	Per Ounce
Property Exploration	\$ 29,826.37	\$ 0.204	\$ 0.670	\$ 51,992.46	\$ 0.282	\$ 1.281
Deferred Development	50,858.43	0.348	1.143	—	—	—
Mine Development	122,037.95	0.835	2.743	216,305.27	1.172	5.332
Mining	889,874.31	6.088	19.999	989,520.65	5.362	24.391
Crushing & Conveying	53,500.99	0.366	1.202	66,646.68	0.361	1.643
Milling	307,104.50	2.101	6.902	350,232.77	1.898	8.633
General Expense	233,425.53	1.597	5.246	235,572.02	1.277	5.807
Employee Benefits	266,872.95	1.826	5.997	289,482.87	1.569	7.135
Administration Expenses	53,108.01	0.363	1.193	74,591.18	0.404	1.838
Marketing Charges	10,793.12	0.074	0.243	9,371.65	0.051	0.231
	\$ 2,017,402.16	\$ 13.802	\$ 45.338	\$ 2,283,715.55	\$ 12.376	\$ 56.291
Deduct: Estimated E.G.M.A.	444,000.00	3.037	9.978	416,600.00	2.258	10.269
Net Operating Cost	\$ 1,573,402.16	\$ 10.765	\$ 35.360	\$ 1,867,115.55	\$ 10.118	\$ 46.022

MINE DEVELOPMENT

The following table shows the total footage of development work completed during the year 1971, with comparable footages for 1970, 1969 and total to date:

	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>Total to Date</u>
Shaft Sinking and Station Cutting	—	—	—	5,462
Crosscutting	992	1,178	1,661	39,243
Drifting	252	899	1,432	182,415
Raising	400	578	771	76,728
Diamond Drilling (Contract)	20,346	19,632	23,813	2,005,686
Diamond Drilling (Packsack)	10,952	10,723	10,945	327,715
Surface Drilling (Contract)	672	3,344	nil	187,863
Draw Points	nil	nil	8	522
Ramps	17	223	—	240

The footages of lateral development and raising completed during the year are shown by levels in the following table:

<u>Level</u>	<u>Crosscutting</u>	<u>Drifting</u>	<u>Raising</u>	<u>Ramps</u>
11	—	96	—	—
12	—	—	264	—
18	—	—	61	—
20	—	—	75	—
22	164	—	—	—
24	—	—	—	17
25	828	156	—	—
Total	992	252	400	17

The development and exploration costs amounted to \$202,722.75 in 1971, a decrease from \$268,297.73 in 1970.

Ore Zone Number Eight

25th Level

Work on the 25th level crosscut was resumed on March 22nd. The crosscut was driven in a northerly direction east of the No. 8 ore zone and into the footwall of the zone. Drifting west in the footwall is now being carried out.

24-0-8 Stope

Stoping operations in this stope are now proceeding smoothly after several interruptions caused by falls of ground.

A total of 25,960 tons grading .459 ounces per ton was extracted from this zone during the year.

MINING

Stoping operations were carried out from the seventh to the twenty-fourth level, inclusive, with 37.91% of the mill feed tonnage coming from above the 2650 horizon or 17th level.

The shortage of experienced stope miners made it impossible to supply the mill with sufficient ore to maintain the "B" unit of the mill at capacity of approximately 425 tons per day.

SOURCE OF ORE DELIVERED TO MILL

Ore Zone Number	Tons	*Grade	% Total Ounces
1	47,462	0.3866 oz./ton	39.26
2	23,320	0.2357	11.76
3	36,100	0.2205	17.03
4	660	0.4933	0.70
7	12,140	0.2199	5.71
8	25,960	0.4599	25.54
Total	145,642	0.3209	100.00

*Grade adjusted to coincide with calculated mill heads.

Broken ore drawn from old workings amounted to 11.31% of the total drawn with a grade of 0.162 ounces per ton.

BACKFILL

The deslimed mill tailings placed as backfill amounted to 64,250 tons for a total of 2,013,850 tons to date.

ORE RESERVES

The estimated ore reserves as at December 31st, 1971, and comparable figures for last year are shown in the following table:

	December 31, 1971			December 31, 1970		
	Tons	Grade	Ounces	Tons	Grade	Ounces
Surface to 11th level	6,865	0.20	1,424	6,865	0.20	1,424
11th level to 17th level	83,296	0.24	20,048	78,856	0.23	18,288
17th level to 23rd level	101,997	0.25	25,818	99,329	0.26	25,996
23rd level to 25th level	57,047	0.34	19,599	50,000	0.35	17,500
Total Reserves	249,205	0.268	66,889	245,050	0.272	66,708

The broken ore remaining in cut and fill stopes, which is not included in the above reserve figures, amounted to 3,910 tons at the end of the year.

Ore mined during the year, which was not included in the reserve figure at the end of 1970, and broken ore drawn from old workings amounted to a total of 35,430 tons with a grade of 0.199 ounces per ton.

MILLING

The milling data for the current year, the two previous years and the total since the commencement of milling operations are shown in the following table:

	1971	Year 1970	1969	Aug. 11, 1938 to Dec. 31, 1971
Dry Tons Treated	146,162	184,530	238,473	7,785,786
Percentage Operating Time of Total Time	90.12	82.22	83.26	92.21
Tons Treated per Calendar Day	400.44	505.56	653.35	602.80
Average Gold Assay Heads, Troy Ounces	0.31997	0.23695	0.27407	0.31237
Average Gold Assay Tails, Troy Ounces	0.01554	0.01607	0.02004	0.01972
Percentage Recovery	95.14	93.19	92.69	93.69

The "B" unit of the mill operated continuously during the year. The "A" unit was operated intermittently when extra tons of ore were available.

BUILDINGS, MACHINERY AND EQUIPMENT

Capital expenditures for the year were \$5,526.43. The details are as follows:

National Cash Register Accounting Machine	\$4,667.85
Vibrometer 1m-152	625.63
Chain Saw	232.95
	<hr/>
	\$5,526.43

GENERAL

A wage increase of thirteen cents per hour became effective on August 1st, 1971, under the agreement with Steelworkers of America, increasing the total labour costs by approximately \$25,000 in the last five months of the year.

As a result of the appeal by most Ontario mines against the level of the new assessments on concentrators and smelters for municipal taxation, the Provincial Government, in 1971, enacted Bill 127, under which the new assessments are effectively frozen until 1974. The appeal by your Company is being kept open.

Prices on most supplies purchased by your Company continued to rise throughout 1971.

There were 177 employees on the payroll at December 31st, 1971, compared to 196 at December 31st, 1970. As underground workers account for nearly all of this decrease, extreme difficulty has been met in keeping the mill supplied with adequate tonnages of ore.

There were 96 hirings and 115 separations during the year compared with 137 hirings and 206 separations during 1970.

CONCLUSION

The support of the President and Board of Directors, appreciation of the efficient work of the Staff and co-operation of the employees are gratefully acknowledged.

Yours very truly,

F. A. INNES, B.Sc., P.Eng. (Ont.),
Mine Manager.

Madsen, Ontario,
February 24, 1972.

BALANCE SHEET

December 31,

ASSETS

CURRENT ASSETS

	1971	1970
Cash	\$ 214,976.42	\$ 218,772.26
Short term notes	951,031.93	821,006.93
Bullion in transit	47,552.91	76,384.78
Accounts receivable	167,626.85	127,317.51
Gold assistance receivable	164,549.81	200,329.37
Marketable securities, at cost (market value 1971 — \$277,199.75; 1970 — \$305,899.50)	382,582.77	392,781.02
Materials and supplies at cost	416,901.86	409,031.95
Prepaid expense	11,353.01	24,415.16
	<u>2,356,575.56</u>	<u>2,270,038.98</u>

DEPOSIT WITH PROVINCE OF SASKATCHEWAN		1,000.00
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SHARES IN OTHER MINING COMPANIES, at cost

Other mining companies	63,089.50	176,163.22
Baffinland Iron Mines Limited — 672,011 shares	568,387.25	567,283.25
	<u>631,476.75</u>	<u>743,446.47</u>

PROPERTY, PLANT AND EQUIPMENT, at cost

Buildings, machinery and equipment	5,974,617.80	6,004,702.43
Less: Accumulated depreciation	5,664,991.71	5,618,185.04
	<u>309,626.09</u>	<u>386,517.39</u>
Mining property — Red Lake	1,688,319.58	1,667,211.71
	<u>1,997,945.67</u>	<u>2,053,729.10</u>

OTHER MINING PROPERTIES

Mining claims, at cost	48,824.38	29,151.95
Deferred exploration expenditure	34,316.32	300,751.33
	<u>83,140.70</u>	<u>329,903.28</u>
	<u>\$ 5,069,138.68</u>	<u>\$ 5,398,117.83</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1971

1. The aggregate direct remuneration paid to directors and senior officers of the Company was \$63,163.00 in 1971 and \$74,730.04 in 1970.
2. By an agreement dated March 25, 1970 the Company has granted stock options to officers of the Company on 50,000 shares of stock at \$1.07 per share exercisable on or before March 24, 1973.
3. By an agreement dated February 15, 1972 the Company has granted a stock option to the mine manager of the Company on 50,000 shares of stock at \$0.67 per share, exercisable on or before February 14, 1975.

MADSEN RED LAKE GOLD MINES, LIMITED

(Incorporated under the laws of Ontario)

LIABILITIES

CURRENT LIABILITIES

	1971	1970
Accounts payable and accrued charges	\$ 169,770.39	\$ 140,465.84
Wages payable	31,756.21	32,027.18
	<u>201,526.60</u>	<u>172,493.02</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL

Authorized		
5,500,000 shares of \$1.00 each		
Issued and fully paid		
3,499,528 shares	3,499,528.00	3,499,528.00
Less: Discount on shares	1,390,160.50	1,390,160.50
	<u>2,109,367.50</u>	<u>2,109,367.50</u>
RETAINED EARNINGS	2,758,244.58	3,116,257.31
	<u>4,867,612.08</u>	<u>5,225,624.81</u>

Approved by the Board:

P. H. McCLOSKEY, Director.

D. W. FALCONER, Director.

<u>\$ 5,069,138.68</u>	<u>\$ 5,398,117.83</u>
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AUDITORS' REPORT

To the Shareholders,
Madsen Red Lake Gold Mines, Limited.

We have examined the balance sheet of Madsen Red Lake Gold Mines, Limited as at December 31, 1971, and the statements of retained earnings, earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1971, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 7, 1972.

GLENDINNING, JARRETT, GOULD & CO.,
Chartered Accountants.

MADSEN RED LAKE GOLD MINES, LIMITED

STATEMENT OF EARNINGS

for the year ended December 31,

	1971	1970
Bullion Production		
Gold	\$ 1,571,931.72	\$ 1,480,250.96
Silver	11,552.51	14,000.01
	<u>1,583,484.23</u>	<u>1,494,250.97</u>
Less: Marketing charges	10,793.12	9,371.65
	<u>1,572,691.11</u>	<u>1,484,879.32</u>
Operating and Administration Costs		
Mining	889,874.31	989,520.65
Crushing and milling	360,605.49	416,879.45
Mine development	202,722.75	268,297.73
Employee benefits	266,872.95	289,482.87
Management and general expense at the property	233,425.53	235,572.02
Administration	53,108.01	74,591.18
	<u>2,006,609.04</u>	<u>2,274,343.90</u>
Less: Estimated gold assistance	444,000.00	416,600.00
	<u>1,562,609.04</u>	<u>1,857,743.90</u>
Operating Profit (Loss)	10,082.07	(372,864.58)
Interest and Other Income, Net	62,202.58	58,371.14
	<u>72,284.65</u>	<u>(314,493.44)</u>
Depreciation	77,406.52	96,629.35
Net Loss	<u>\$ (5,121.87)</u>	<u>\$ (411,122.79)</u>
Net Loss Per Share	<u>\$ (0.001)</u>	<u>\$ (0.117)</u>

STATEMENT OF RETAINED EARNINGS

for the year ended December 31,

	1971	1970
Balance, beginning of the year	\$ 3,116,257.31	\$ 3,706,143.55
Adjustment of prior years' expenses	6,427.57	5,094.46
	<u>3,122,684.88</u>	<u>3,711,238.01</u>
Net loss	(5,121.87)	(411,122.79)
Dividend paid, #48	Nil	104,985.84
Acquisition costs and exploration expenditures on mining claims abandoned	359,318.43	78,872.07
	<u>364,440.30</u>	<u>594,980.70</u>
Balance, end of the year	<u>\$ 2,758,244.58</u>	<u>\$ 3,116,257.31</u>

MADSEN RED LAKE GOLD MINES, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31,

Source	1971	1970
From operations		
Net loss for the year	\$ 5,121.87	\$
Depreciation	77,406.52	
	72,284.65	
Proceeds from sale of equipment	5,650.00	3,112.50
Prior years' adjustments	10,083.73	6,024.19
	88,018.38	9,136.69
Application		
To operations		
Net loss for the year		411,122.79
Depreciation		96,629.35
		314,493.44
Dividend paid		104,985.84
Additions to buildings and equipment	5,526.43	49,350.15
Outside exploration	23,884.95	91,148.03
Purchase of shares in Baffinland Iron Mines Limited	1,104.00	17,347.00
	30,515.38	577,324.46
Increase (Decrease) in Working Capital	57,503.00	(568,187.77)
Working Capital, Beginning of the Year	2,097,545.96	2,665,733.73
Working Capital, End of the Year	\$ 2,155,048.96	\$ 2,097,545.96

DISTRIBUTION OF GROSS INCOME

for the year ended December 31,

Gross Income	1971	1970
Bullion	\$ 1,583,484.23	\$ 1,494,250.97
Interest and other income, net	62,202.58	58,371.14
Estimated gold assistance	444,000.00	416,600.00
	\$ 2,089,686.81	\$ 1,969,222.11
Distribution		
Materials, supplies and general operating expenses	\$ 490,428.76	\$ 596,625.83
Salaries and wages	1,123,551.46	1,265,799.41
Hydro electric power	135,638.39	130,933.63
Workmen's compensation and silicosis insurance	104,847.19	119,072.83
Holidays with pay and unemployment insurance	71,129.11	72,658.38
Pension, group insurance and medical expense	52,676.50	60,609.34
Boarding house and employees' travel expense	39,130.75	38,016.13
Depreciation	77,406.52	96,629.35
Net (loss) for the year	(5,121.87)	(411,122.79)
	\$ 2,089,686.81	\$ 1,969,222.11

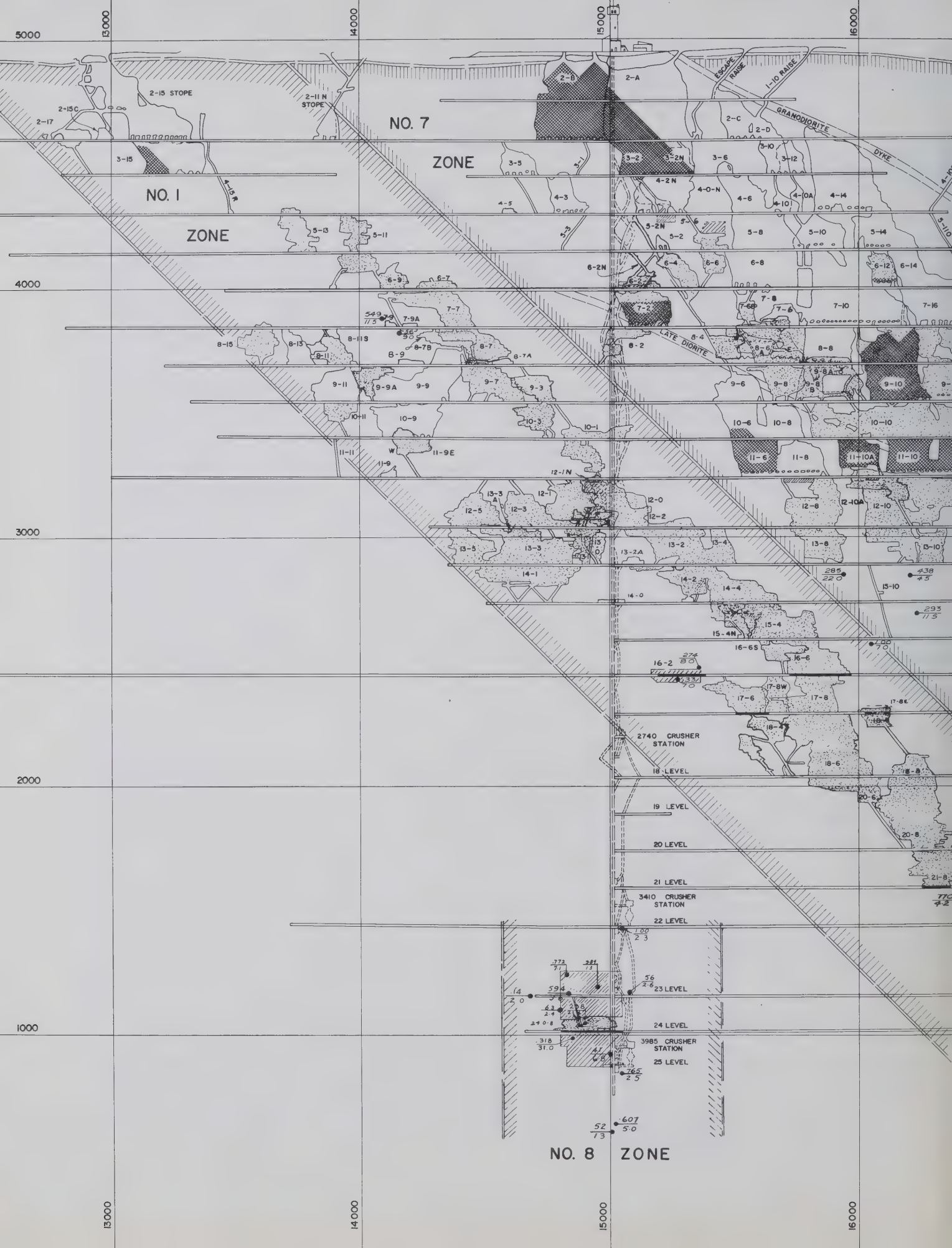
Our Ten Year

	1938-1971	1971	1970	1969
Ounces of gold produced	2,278,517.795	44,496.620	40,569.063	60,579.37
Tons of ore milled	7,785,786	146,162	184,530	238,473
Recovery value per tons milled	\$ 10.49	\$ 10.83	\$ 8.10	\$ 9.60
Average price of gold per ounce	\$ 35.67	\$ 35.33	\$ 36.49	\$ 37.70
Income from gold and silver	\$ 81,681,587.30	\$ 1,583,484.23	\$ 1,494,250.97	\$ 2,302,950.62
Operating and marketing costs	\$ 65,135,302.69	\$ 2,017,402.16	\$ 2,283,715.55	\$ 2,645,183.27
Operating profit (loss)	\$ 16,546,284.61	\$ (433,917.93)	\$ (789,464.58)	\$ (342,232.65)
Sundry income	\$ 1,085,438.86	\$ 62,202.58	\$ 58,371.14	\$ 136,157.92
Emergency gold mining assistance	\$ 7,922,300.00	\$ 444,000.00	\$ 416,600.00	\$ 622,000.00
Provision for taxes	\$ 3,955,719.90		—	—
Provision for depreciation	\$ 5,816,774.15	\$ 77,406.52	\$ 96,629.35	\$ 109,459.71
Net earnings (loss)	\$ 14,945,178.65	\$ (5,121.87)	\$ (411,122.79)	\$ 305,465.59
Net earnings per ton	\$ 1.92	\$ (.03)	\$ (2.23)	\$ 1.22
Net earnings per share	\$ 4.27	\$ (.00)	\$ (.12)	\$.00
Cash profits less net capital expenditure	\$ 13,008,236.27	\$ 48,523.27	\$ (451,879.12)	\$ 269,972.61
Dividends paid	\$ 10,448,891.08		\$ 104,985.84	—
Dividends paid per share	\$ 2.985		\$.03	—
Percentage of dividends paid to cash profits less net capital expenditure	\$ 80.29		—	—
Additions to fixed assets	\$ 5,974,617.80	\$ 5,526.43	\$ 49,350.15	\$ 36,371.61
AT END OF YEAR:				
Fixed assets at cost	\$ 5,974,617.80	\$ 5,974,617.80	\$ 6,004,702.43	\$ 5,974,931.41
Fixed assets less accumulated depreciation	\$ 309,626.09	\$ 309,626.09	\$ 386,517.39	\$ 437,838.81
Working capital	\$ 2,155,048.96	\$ 2,155,048.96	\$ 2,097,545.96	\$ 2,665,733.71
Number of employees	177	177	196	270

LAKE GOLD MINES LIMITED

Operating Story

1968	1967	1966	1965	1964	1963	1962
56,196.218	70,032.531	69,999.031	87,632.198	94,868.822	107,130.856	100,877.831
265,268	277,566	246,505	292,681	305,823	306,247	311,705
\$ 8.08	\$ 9.60	\$ 10.78	\$ 11.36	\$ 11.78	\$ 13.28	\$ 12.17
\$ 37.70	\$ 37.77	\$ 37.73	\$ 37.73	\$ 37.75	\$ 37.75	\$ 37.42
\$ 2,141,924.67	\$ 2,665,637.73	\$ 2,657,165.51	\$ 3,326,452.29	\$ 3,603,396.77	\$ 4,067,473.77	\$ 3,794,610.80
\$ 2,699,063.09	\$ 2,731,293.97	\$ 2,656,484.09	\$ 2,981,326.38	\$ 3,388,586.47	\$ 3,423,769.72	\$ 3,465,624.84
\$ (557,138.42)	\$ (65,656.24)	\$ 681.42	\$ 345,125.91	\$ 214,810.30	\$ 643,704.05	\$ 328,985.96
\$ 69,762.05	\$ 82,915.96	\$ 60,752.87	\$ 37,349.46	\$ 53,515.64	\$ 45,980.74	\$ 51,481.97
\$ 577,400.00	\$ 630,000.00	\$ 625,000.00	\$ 585,000.00	\$ 695,000.00	\$ 454,000.00	\$ 685,000.00
—	\$ 17,000.00	\$ 65,000.00	\$ 86,500.00	\$ 147,500.00	\$ 212,000.00	\$ 178,500.00
\$ 128,460.65	\$ 156,829.65	\$ 180,025.92	\$ 202,098.68	\$ 222,488.06	\$ 247,703.41	\$ 229,047.69
\$ (38,437.02)	\$ 473,430.07	\$ 441,408.37	\$ 678,876.69	\$ 593,337.88	\$ 683,981.38	\$ 657,920.24
\$ (.14)	\$ 1.70	\$ 1.79	\$ 2.32	\$ 1.94	\$ 2.23	\$ 2.11
\$ (.01)	\$.14	\$.13	\$.19	\$.17	\$.20	\$.19
\$ 29,755.34	\$ (76,020.27)	\$ 447,161.85	\$ 696,200.34	\$ 684,994.72	\$ 579,219.65	\$ 639,998.22
—	\$ 349,952.80	—	\$ 262,464.60	\$ 524,929.20	\$ 524,929.20	\$ 524,929.20
—	\$.10	—	\$.075	\$.15	\$.15	\$.15
—	—	—	\$ 37.78	\$ 76.63	\$ 82.02	\$ 82.02
\$ 15,783.16	\$ 63,398.63	\$ 80,476.00	\$ 112,695.29	\$ 121,586.66	\$ 319,729.06	\$ 189,490.06
\$ 5,974,856.86	\$ 5,934,518.47	\$ 5,870,830.43	\$ 5,790,354.43	\$ 5,677,659.14	\$ 5,556,072.48	\$ 5,236,343.42
\$ 513,842.63	\$ 627,326.60	\$ 720,103.71	\$ 808,794.71	\$ 889,952.23	\$ 990,813.63	\$ 916,190.77
\$ 2,392,720.14	\$ 2,325,952.24	\$ 2,401,972.51	\$ 1,954,810.66	\$ 2,119,844.67	\$ 1,972,424.57	\$ 1,942,145.86
262	296	296	348	365	424	425



MADSEN RED LAKE GOLD MINES LTD.
MADSEN ONT.

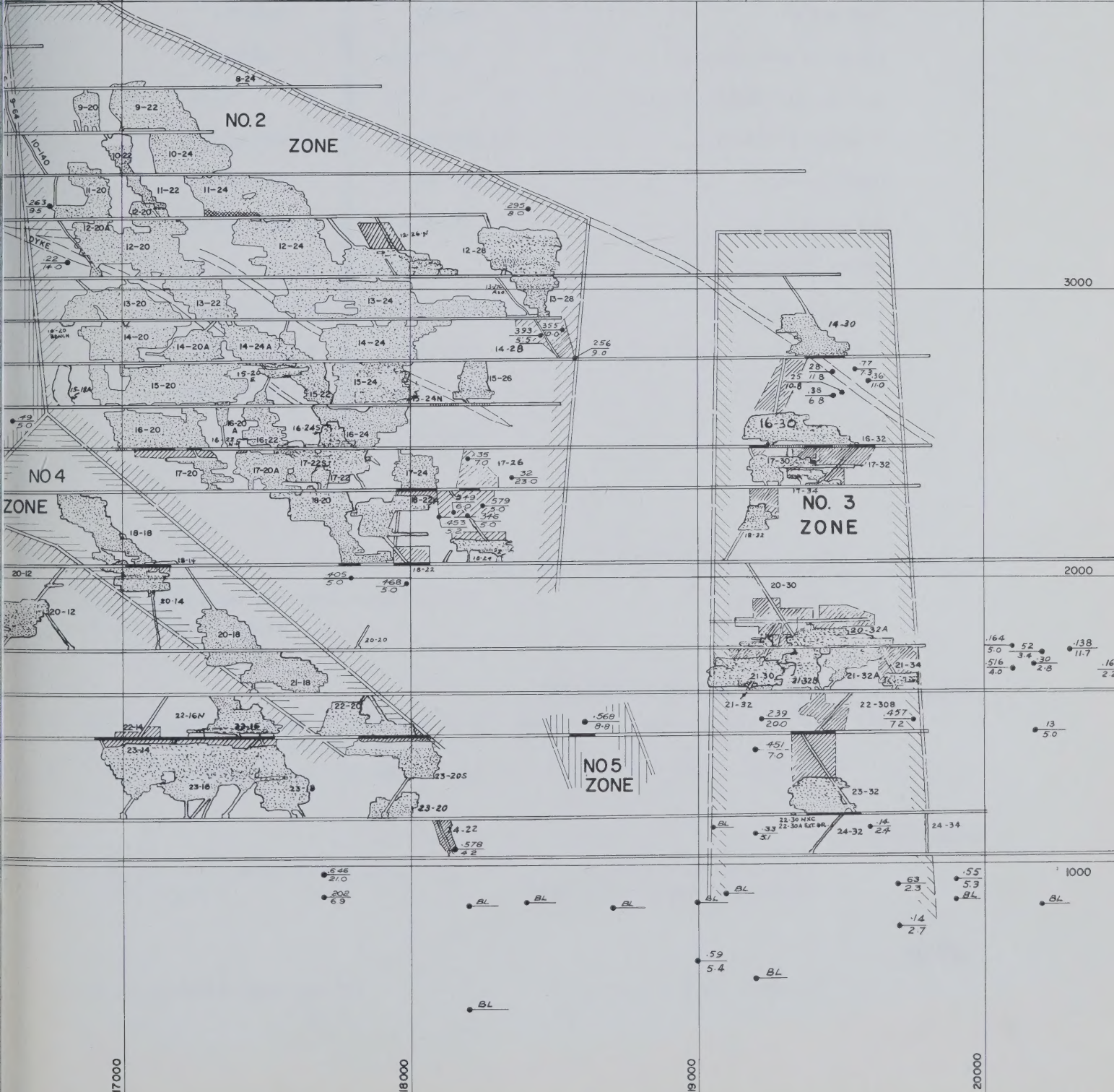
LONGITUDINAL PROJECTION
OF
UNDERGROUND WORKINGS
AND
DRILL HOLE INTERSECTIONS

SCALE 1 INCH EQUALS 200 FEET



LEGEND

ORE ON LEVELS HYDRAULIC BACKFILL ORE IN STOPES
INTERSECTIONS BELOW ORE GRADE WASTE ROCK BACKFILL LOW GRADE ORE
ORE GRADE INTERSECTIONS VALUE IN OUNCES
NOTE: # 8 ZONE VALUE IN OUNCES
CORE LENGTH IN FEET



COMPARATIVE FINANCIAL SUMMARY

	December 31	
	1971	1970
Tons milled	146,162	184,530
Ounces of gold produced	44,496.620	40,569.063
Average price of gold per ounce	\$ 35.33	\$ 36.49
Valuation of bullion	\$ 1,583,484.23	\$ 1,494,250.97
Operating costs	\$ 2,017,402.16	\$ 2,283,715.55
Net earnings (loss)	\$ (5,121.87)	\$ (411,122.79)
Net earnings (loss) per share	\$ (.001)	\$ (.117)
Current assets	\$ 2,356,575.56	\$ 2,270,038.98
Current liabilities	\$ 201,526.60	\$ 172,493.02
Working capital	\$ 2,155,048.96	\$ 2,097,545.96
Shares issued	3,499,528	3,499,528

MADSEN RED LAKE GOLD MINES, LIMITED

HEAD OFFICE.....55 Yonge Street, Suite 1110, Toronto 215, Canada.

MINE OFFICE.....Madsen, Ontario, Canada.

TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA...88 University Avenue, 5th floor, Toronto 1, Canada.
427 St. James Street West, Montreal, Canada.

THE BANK OF NEW YORK.....48 Wall Street, New York 10015, N.Y.

AUDITORS

GLENDINNING, JARRETT, GOULD & Co.....P.O. Box 11, Toronto-Dominion Centre,
SUCCESSORS TO NEFF, GOODWIN & Co. Toronto 1, Canada.

LISTED

TORONTO STOCK EXCHANGE.....234 Bay Street, Toronto 1, Canada.

